

## Message Text

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70

ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01

PA-01 PRS-01 USIA-06 L-02 H-02 /092 W

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R 271450Z MAR 75

FM AMEMBASSY BERN

TO SECSTATE WASHDC 478

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY DUBLIN

AMEMBASSY OSLO

AMEMBASSY ROME

AMEMBASSY TOKYO

AMEMBASSY STOCKHOLM

AMEMBASSY VIENNA

AMCONSUL ZURICH

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: EFIN EEC SZ

SUBJECT: SWISS FRANC ASSOCIATION WITH MINI-SNAKE

REF: BERN 1233

1. BEGIN UNCLASSIFIED. SWISS FEDERAL COUNCIL

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AT REGULAR WEEKLY MEETING MARCH 26 AUTHORIZED

SWISS NATIONAL BANK (SNB) DISCUSS WITH OTHER CENTRAL BANKS POSSIBLE ASSOCIATION OF SWISS FRANC (SF) WITH EUROPEAN JOINT FLOAT. FEDERAL COUNCILOR (FINANCE MINISTER) CHEVALLAZ INFORMED COUNCIL OF HIS MEETING LAST WEEKEND IN VIENNA WITH GERMAN AND AUSTRIAN FINANCE MINISTERS AND SNB PRESIDENT LEUTWILER REPORTED TO COUNCIL ON PRELIMINARY CONVERSATIONS SNB HAS ALREADY HAD WITH OTHER CENTRAL BANKS. SPOKESMAN FOR FEDERAL COUNCIL TOLD PRESS FOLLOWING MEETING THAT NO REPEAT NO DECISION HAD BEEN TAKEN ON WHETHER SWISS WOULD OR SHOULD ASSOCIATE WITH SNAKE AND ANY SUCH DECISION WOULD BE TAKEN ONLY AFTER SNB EXPLORES MATTER FURTHER. END UNCLASSIFIED.

2. BEGIN LIMITED OFFICIAL USE. OUR CONTACTS INDICATE THAT POSSIBLE SWISS FRANC ASSOCIATION WITH MINI-SNAKE IS STILL VIEWED WITH CONSIDERABLE SKEPTICISM IN INTERESTED GOS AGENCIES IN BERN. BESIDES OBVIOUS TECHNICAL QUESTION OF ESTABLISHING INITIAL APPROPRIATE CROSS RATES, SOURCES IN BOTH FINANCE AND POLITICAL DEPARTMENTS HAVE EXPRESSED CONCERN ALSO RE POLITICAL AND ECONOMIC POLICY ASPECTS OF POSSIBLE SF ENTRY INTO MINI-SNAKE. THEY NOTE, FOR EXAMPLE, THAT PRESSURES COULD DEVELOP PROMPTING CAPITAL INFLOWS BY NON-RESIDENTS INTO SWITZERLAND FROM OTHER SNAKE COUNTRIES. THEY ALSO ARE REASONABLY CONFIDENT THAT OVER LONG TERM SF WILL TEND DEPRECIATE AGAINST DOLLAR AND THAT PRESENT RELATIVELY HIGH RATE WILL NOT CONTINUE INDEFINITELY. IF SUCH ASSUMPTIONS CORRECT, THEY SEE FEW ADVANTAGES OF ENTRY.

3. SWISS COMMERCIAL BANKS ALSO SEEM INCREASINGLY DOUBTFUL ABOUT WISDOM OF TIEING SF TO OTHER CURRENCIES. UNION BANK HAS RECOMMENDED THAT NO EARLY DECISION BE TAKEN AND EXPORT-ORIENTED SECTORS ARE BECOMING DOUBTFUL THAT ENTRY INTO MINI-SNAKE WOULD SOLVE THEIR PROBLEMS.

4. EMBASSY COMMENT: FEDERAL COUNCIL DECISION OF MARCH 26 PRIMARILY REPRESENTS ENDORSEMENT OF LIMITED OFFICIAL USE

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WHAT SNB WAS ALREADY DOING AND CLEARLY DOES NOT IN ANY WAY IMPLY DECISION APPLY FOR ASSOCIATION. IT MAY ALSO BE REGARDED AS FORM OF REBUKE FOR SNB FOR ITS FAILURE OBTAIN CLEAR FEDERAL COUNCIL APPROVAL PRIOR TO INITIAL EXPLORATORY TALKS. IT IS ALSO VERY CLEAR THAT FEDERAL COUNCIL AND NOT SNB ALONE WILL MAKE DECISION, IF ANY, ON ASSOCIATION WITH SNAKE. VIEWS OF DIVISION OF COMMERCE, FINANCE DEPARTMENT, AND POLITICAL DEPARTMENT

WILL CARRY CONSIDERABLE WEIGHT. AT THIS POINT, THESE  
AGENCIES ARE ONLY BEGINNING THEIR STUDY BUT SEEM  
TO BE AGAINST ANY EARLY SF ASSOCIATION WITH MINI-SNAKE.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC CONDITIONS, MINISTERIAL MEETINGS, FINANCIAL TRENDS, FOREIGN EXCHANGE HOLDINGS, BANKS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 27 MAR 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** MorefiRH  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Drafter:** n/a  
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**Executive Order:** N/A  
**Errors:** N/A  
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**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Previous Handling Restrictions:** n/a  
**Reference:** 75 BERN 1233  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** MorefiRH  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 07 APR 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <07 APR 2003 by KelleyW0>; APPROVED <20 MAY 2003 by MorefiRH>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
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**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** SWISS FRANC ASSOCIATION WITH MINI-SNAKE  
**TAGS:** EFIN, SZ, EEC  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006